

Message Text

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ORIGIN XMB-04

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R 281359Z JUL 76

FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA

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E.O. 11652: N/A

TAGS: EGEN-ZA

SUBJECT: (A) INGA-SHABA TRANSMISSION LINE, (B) ATTITUDE OF U.S.
COMMERCIAL BANKS TOWARD GOZ, (C) PAYMENTS COMING DUE TO EXIMBANK
AND LENDERS GUARANTEED BY EXIMBANK

1. ON JUNE 21, EXIMBANK REPRESENTATIVES DISCUSSED DRAFT PAYMENT
FACILITY AGREEMENT WITH VARIOUS COMMERICAL BANKS IN NEW YORK.
AGREEMENT CONSIDERED ESSENTIAL TO IMPROVE EXIMBANK'S PROSPECTS FOR
REPAYMENT UNDER EXISTING AND RECENTLY APPROVED ADDITIONAL FINANCING
FOR U.S. COSTS OF INGA-SHABA LINE. IT WOULD FUNCTION AS A DISCIPLINAR
Y

MECHANISM BY PROVIDING FOR DEBT SERVICE PAYMENTS ON PROJECT TO BE
MET BY SOZOCOM FROM COOPER EXPORT PROCEEDS PRIOR TO THEIR REMIT-
TANCE TO CENTRAL BANK. NO PLEDGE OF COPPER IS INVOLVED. AGREEMENT
SIMILAR BUT SLIGHTLY LOOSER THAN WORLD BANK TRUST WHICH SECURES ITS
FINANCING FOR GECAMINES EXPANSION PROGRAM.

2. WITH EXCEPTION OF CITIBANK AND OTHER INSTITUTIONS THAT WOULD
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BE INCLUDED UNDER AGREEMENT, COMMERCIAL BANKS REGISTERED GENERAL

OPPOSITION TO ITS CONCLUSION AS BEING CONTRARY TO CUSTOMARY PARI PASSU OR EQUALITY OF TREATMENT BANKING THEORY. EXIMBANK POINTED OUT THAT: (1) THIS ARGUMENT SHOULD BE DIRECTED PRIMARILY TO WORLD BANK WHOSE TRUST HAS BEEN OPERATING FOR ABOUT SIX MONTHS, (2) NEGATIVE PLEDGE COVENANTS IN VARIOUS COMMERCIAL BANK LOAN AGREEMENTS NOT BEING VIOLATED BY PAYMENT FACILITY AGREEMENT, AND (3) IMPROVEMENT IN REPAYMENT PROSPECTS REQUIRED TO JUSTIFY CONTINUED EXIMBANK SUPPORT.

3. COMMERCIAL BANK OPPOSITION APPEARS TO SOME EXTENT RELATED TO THEIR COMMUNICATION PROBLEMS WITH GOZ WHICH IS CAUSING AN OVER-REACTION TO PAYMENT FACILITY AGREEMENT. TELEXES REQUESTING PAYMENT OF AMOUNTS PAST DUE OR OTHER INFORMATION ARE FREQUENTLY UNANSWERED, WHILE PRIVATE DEBT RESCHEDULING TALKS NOT YET CONVENED AND THEREFORE LAGGING INCREASINGLY BEHIND PARIS CLUB. EMBASSY MAY WISH TO AGAIN RAISE POOR STATE OF U.S. COMMERCIAL BANK RELATIONS WITH GOZ.

4. EXIMBANK CONCERNED ITS ABILITY TO ASSIST ZAIRE COULD BE PUT UNDER GREAT STRAIN BY CONTINUED DEFAULT ON INTEREST PAYMENTS DUE SINCE JULY 1 AND, THEREFORE, NOT SUBJECT TO RESCHEDULING. INTEREST TOTALING ABOUT DOLS 100,000 DUE EXIMBANK 7/15/76 UNDER CREDIT NOS. 2939 (EARTH SATELLITE STATION) AND 3213 (GOODYEAR PLANT) NOT YET RECEIVED. FAR MORE SERIOUS IS 8/10/76 DATE ON WHICH INTEREST TO EXIMBANK AND EXIMBANK-GUARANTEED LENDERS OF ABOUT DOLS 10.0 MILLION FALLS DUE UNDER CREDIT NOS. 4048 (GECAMINES), 4539 (SNEL - INGA II), 4684 (SNEL - INGA-SHABA LINE), AND 4585 (GOZ - DC-10 AND 737 AIRCRAFT). NON-PAYMENT WOULD JEOPARDIZE CONCLUSION US - GOZ BILATERAL AGREEMENT UNDER PARIS CLUB DEBT RESCHEDULING AS WELL AS IMPLEMENTATION RECENT INGA-SHABA AND GECAMINES CREDITS. FURTHER, UPCOMING PRIVATE DEBT RESCHEDULING NEGOTIATION COULD BE DIFFICULT IF GOZ SEEN TO BE IGNORING OBLIGATIONS ACCEPTED AT PARIS CLUB. IT IS UNDERSTOOD SOME LENDERS BEING PAID FROM SET-ASIDE ACCOUNT ESTABLISHED AT NEW YORK FEDERAL RESERVE. EXIMBANK WISHES TO APPRISE EMBASSY IN ADVANCE OF SERIOUS CONSEQUENCES IF GOZ FAILS TO PROMPTLY MEET ALL INTEREST PAYMENTS DUE AFTER 6/30/76.

5. AMBASSADOR IDZUMBUIR ADVISED OF ABOVE IN GENERAL TERMS DURING JULY 23 MEETING AT EXIMBANK. HE STATED HIS APPRECIATION OF PROBLEMS AND WILLINGNESS TO COMMUNICATE THEM TO KINSHASA. EXIMBANK AGREED TO PROVIDE AMBASSADOR WITH LETTER DETAILING INTEREST PAYMENTS DUE LIMITED OFFICIAL USE

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IN NEAR FUTURE (COPY WILL BE POUCHED TO EMBASSY). KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
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Concepts: COMMERCIAL BANKS, INGA-SHABA, ELECTRIC POWER PLANTS, DEBT REPAYMENTS
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Copy: SINGLE
Draft Date: 28 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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